

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

AMENDMENT NO. 2

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended February 1, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

THE CATO CORPORATION

(Exact name of registrant as specified in Charter)

COMMISSION FILE NUMBER 1-31340

State of Incorporation: Delaware

I.R.S. Employer Identification Number:

56-0484485

Address of Principal Executive Offices:

Registrant's Telephone Number:

8100 Denmark Road

704/554-8510

Charlotte, North Carolina 28273-5975

SECURITIES REGISTERED

SECURITIES REGISTERED

PURSUANT TO

PURSUANT TO

SECTION 12(b) OF THE ACT:

SECTION 12(g) OF THE ACT:

NONE

CLASS A COMMON STOCK

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of The Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES No

Indicate by check mark, if disclosure of delinquent filers pursuant to Item 405 of the Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 126-2 of the Act).

YES No

As of March 21, 2003, there were 19,312,500 shares of Class A Common Stock and 6,085,149 shares of Convertible Class B Common Stock outstanding. The aggregate market value of the Registrant's Class A Common Stock held by Non-affiliates of the Registrant as of August 2, 2002, the last business day of the Company's most recent second quarter, was \$319,132,510 based on the last reported sale price per share on the New York Stock Exchange (NYSE) on that date.

Documents incorporated by reference:

Portions of the proxy statement dated April 30, 2003, relating to the 2003 annual meeting of shareholders are incorporated by reference into the following part of this annual report:

Part III – Items 10, 11, 12, 13, 14 and 15

EXPLANATORY NOTE

Amendment No. 2 – April 19, 2004

The Cato Corporation (the “Company”) is hereby amending this Annual Report on Form 10-K for the fiscal year ended February 1, 2003 for the sole purpose of indicating that Exhibits 31.1 and 31.2 Certificates of the Company’s Chief Executive Officer and Chief Financial Officer comply with Item 601 (B)(31) of Regulation S-K pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934.

Amendment No. 1 – April 8, 2004

The Cato Corporation (the “Company”) is hereby amending this Annual Report on Form 10-K for the fiscal year ended February 1, 2003 (a) to refile the Independent Auditors’ Report, dated April 21, 2003 (the “Auditors’ Report”) for the sole purpose of indicating the signature of Deloitte & Touche LLP, as independent auditors, which indication was previously inadvertently omitted, and (b) to refile Exhibit 23 (Independent Auditor’s Consent) for the sole purpose of indicating the signature of Deloitte & Touche LLP, as independent auditors, which indication was previously inadvertently omitted. This amendment also includes new Certifications by John P. Derham Cato, as Chairman, President and Chief Executive Officer, and by Michael O. Moore, as Executive Vice President and Chief Financial Officer and Secretary of the Company, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, for amendments to an Annual Report on Form 10-K. Except for the foregoing matters, no other information included in the original Annual Report on Form 10-K is amended by this amendment.

Item 15. Exhibits, Financial Statement Schedules, Reports on Form 8-K:**(a) 1. & 2. LIST OF FINANCIAL STATEMENTS AND SCHEDULE**

The response to this portion of Item 14 is submitted as a separate section of this report.

(a) 3. LIST OF EXHIBITS

See Exhibit Index at page 25 of this annual report.

- *3 (a) (i) Exhibit Form 8-K dated August 24, 1995 relating to a change in the Registrant's Certifying Accountant from Ernst & Young LLP to Deloitte & Touche LLP.
- *3 (a) (ii) Exhibit index designation of exhibit page 10.5.0 Loan Agreement dated December 16, 1994 between The Cato Corporation and NationsBank of North Carolina and Wachovia Bank of North Carolina, N.A., incorporated by reference to Form 10-K of the Registrant for the fiscal year ended January 28, 1995.
- *3 (a) (iii) Exhibit index designation of Exhibit 10 – Employment Agreement dated May 20, 1999 between The Cato Corporation and John P. Derham Cato, incorporated by reference to Form 10-K of the Registrant for the fiscal year ended January 29, 2000.
- *3 (a) (iv) Exhibit Form 8-K dated September 3, 2002 relating to Exhibit Number 99.1, Statement Under Oath of Principal Executive Officer Regarding Facts and Circumstances to Exchange Act Filings and Exhibit Number 99.2, Statement Under Oath of Principal Financial Officer Regarding Facts and Circumstances to Exchange Act Filings.
- *21 Subsidiaries of the Registrant
- 23 Consent of Independent Auditors
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer, incorporated by reference to Form 10-Q of the Registrant for the quarterly period ended August 3, 2002.
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer, incorporated by reference to Form 10-Q of the Registrant for the quarterly period ended August 3, 2002.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended February 1, 2003.

*Previously Filed

ANNUAL REPORT ON FORM 10-K
ITEM 8, ITEM 14(a), (1) AND (2), (c) AND (d)
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
LIST OF FINANCIAL STATEMENTS
CERTAIN EXHIBITS
FINANCIAL STATEMENT SCHEDULE
YEAR ENDED FEBRUARY 1, 2003
THE CATO CORPORATION
CHARLOTTE, NORTH CAROLINA

Item 14(a) 1. And 2. List of Financial Statements and Financial Statement Schedule:

THE CATO CORPORATION

The following consolidated financial statements of The Cato Corporation are included in Item 8:

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The following consolidated financial statement schedule of the Cato Corporation is included in Item 14 (d):

SCHEDULE II – Valuation and qualifying accounts

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INDEPENDENT AUDITORS' REPORT**To the Board of Directors and Stockholders of
The Cato Corporation**

We have audited the accompanying consolidated balance sheets of The Cato Corporation and subsidiaries (the Company) as of February 1, 2003 and February 2, 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended February 1, 2003. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 1, 2003 and February 2, 2002, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth herein.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina

April 21, 2003

The Cato Corporation
Consolidated Statements of Income

Fiscal Year Ended (Dollars in thousands, except per share data)	February 1, 2003	February 2, 2002	February 3, 2001
REVENUES			
Retail sales	\$ 732,742	\$ 685,653	\$ 648,482
Other income (principally finance charges, late fees and layaway charges)	15,589	13,668	14,055
Total revenues	<u>748,331</u>	<u>699,321</u>	<u>662,537</u>
COSTS AND EXPENSES, NET			
Cost of goods sold	496,345	466,366	445,407
Selling, general and administrative	168,914	162,082	154,150
Depreciation	14,913	10,886	9,492
Interest and other income, net	(3,680)	(6,299)	(6,554)
	<u>676,492</u>	<u>633,035</u>	<u>602,495</u>
Income before income taxes	71,839	66,286	60,042
Income tax expense	26,006	23,200	21,015
Net income	<u>\$ 45,833</u>	<u>\$ 43,086</u>	<u>\$ 39,027</u>
Basic earnings per share	<u>\$ 1.80</u>	<u>\$ 1.71</u>	<u>\$ 1.56</u>
Basic weighted average shares	<u>25,465,543</u>	<u>25,193,610</u>	<u>24,988,844</u>
Diluted earnings per share	<u>\$ 1.77</u>	<u>\$ 1.66</u>	<u>\$ 1.53</u>
Diluted weighted average shares	<u>25,947,457</u>	<u>25,888,636</u>	<u>25,465,232</u>
Dividends per share	<u>\$.585</u>	<u>\$.53</u>	<u>\$.425</u>

See notes to consolidated financial statements.

The Cato Corporation
Consolidated Balance Sheets

(Dollars in thousands)	February 1, 2003	February 2, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 32,065	\$ 41,772
Short-term investments	74,871	42,923
Accounts receivable, net of allowance for doubtful accounts of \$6,099 at February 1, 2003 and \$5,968 at February 2, 2002	54,116	52,293
Merchandise inventories	93,457	80,407
Deferred income taxes	1,392	777
Prepaid expenses	4,990	5,036
Total Current Assets	260,891	223,208
Property and equipment — net	113,307	100,137
Other assets	9,212	8,696
Total Assets	\$383,410	\$332,041
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 66,620	\$ 57,495
Accrued expenses	28,776	25,260
Accrued income taxes	2,886	820
Total Current Liabilities	98,282	83,575
Deferred income taxes	6,310	5,177
Other noncurrent liabilities (primarily deferred rent)	8,654	8,591
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$100 par value per share, 100,000 shares authorized, none issued	—	—
Class A common stock, \$.033 par value per share, 50,000,000 shares authorized; 25,218,678 and 25,011,732 shares issued at February 1, 2003 and February 2, 2002, respectively	840	833
Convertible Class B common stock, \$.033 par value per share, 15,000,000 shares authorized; 6,085,149 and 5,812,649 shares issued at February 1, 2003 and February 2, 2002, respectively	203	194
Additional paid-in capital	94,947	86,948
Retained earnings	235,904	204,961
Accumulated other comprehensive gains (losses)	253	(567)
Unearned compensation — restricted stock awards	(2,375)	(394)
	329,772	291,975
Less Class A common stock in treasury, at cost (5,741,179 and 5,626,498 shares at February 1, 2003 and February 2, 2002, respectively)	(59,608)	(57,277)
Total Stockholders' Equity	270,164	234,698
Total Liabilities and Stockholders' Equity	\$383,410	\$332,041

See notes to consolidated financial statements.

The Cato Corporation
Consolidated Statements of Cash Flows

Fiscal Year Ended (Dollars in thousands)	February 1, 2003	February 2, 2002	February 3, 2001
OPERATING ACTIVITIES			
Net income	\$ 45,833	\$ 43,086	\$ 39,027
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,913	10,886	9,492
Amortization of investment premiums	66	160	126
Provision for doubtful accounts	4,764	5,913	5,292
Write-down of investments	1,800	—	—
Deferred income taxes	70	422	1,600
Compensation expense related to restricted stock awards	750	295	295
Loss on disposal of property and equipment	870	480	1,257
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	(6,587)	(11,234)	(6,806)
Merchandise inventories	(13,050)	(1,246)	(9,664)
Prepaid and other assets	(470)	367	(3,971)
Accrued income taxes	2,066	(1,525)	2,025
Accounts payable, accrued expenses and other liabilities	12,704	(547)	5,420
Net cash provided by operating activities	<u>63,729</u>	<u>47,057</u>	<u>44,093</u>
INVESTING ACTIVITIES			
Expenditures for property and equipment	(28,953)	(25,684)	(27,230)
Purchases of short-term investments	(46,281)	(35,878)	(11,906)
Sales of short-term investments	13,735	51,194	12,166
Net cash used in investing activities	<u>(61,499)</u>	<u>(10,368)</u>	<u>(26,970)</u>
FINANCING ACTIVITIES			
Dividends paid	(14,890)	(13,400)	(10,633)
Purchases of treasury stock	(1,187)	(11,729)	(15,449)
Proceeds from employee stock purchase plan	509	443	448
Proceeds from stock options exercised	3,631	4,568	3,323
Net cash used in financing activities	<u>(11,937)</u>	<u>(20,118)</u>	<u>(22,311)</u>
Net increase (decrease) in cash and cash equivalents	(9,707)	16,571	(5,188)
Cash and cash equivalents at beginning of year	41,772	25,201	30,389
Cash and cash equivalents at end of year	<u>\$ 32,065</u>	<u>\$ 41,772</u>	<u>\$ 25,201</u>

See notes to consolidated financial statements.

The Cato Corporation
Consolidated Statements of Stockholders' Equity

(Dollars in thousands)	Class A Common Stock	Convertible Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation Restricted Stock Awards	Treasury Stock	Total Stockholders' Equity
Balance — January 29, 2000	\$805	\$179	\$71,974	\$146,881	\$(1,801)	\$ (984)	\$(28,274)	\$188,780
*Comprehensive income:								
Net income				39,027				39,027
Unrealized gains on available-for-sale securities, net of deferred income taxes of \$494					917			917
Dividends paid (\$.425 per share)				(10,633)				(10,633)
Class A common stock sold through employee stock purchase plan — 44,590 shares	2		446					448
Class A common stock sold through stock option plans — 425,350 shares	14		3,309					3,323
Income tax benefit from stock options exercised			1,049					1,049
Purchase of treasury shares — 1,468,800 shares							(15,449)	(15,449)
Unearned compensation — restricted stock awards						295		295
Balance — February 3, 2001	821	179	76,778	175,275	(884)	(689)	(43,723)	207,757
*Comprehensive income:								
Net income				43,086				43,086
Unrealized gains on available-for-sale securities, net of deferred income taxes of \$171					317			317
Dividends paid (\$.53 per share)				(13,400)				(13,400)
Class A common stock sold through employee stock purchase plan — 38,463 shares	1		442					443
Class A common stock sold through stock option plans — 329,850 shares	11		2,961					2,972
Class B common stock sold through stock option plans — 448,332 shares		15	3,406					3,421
Income tax benefit from stock options exercised			3,361					3,361
Purchase of treasury shares — 774,750 shares							(11,729)	(11,729)
Surrender of shares for stock options — 92,600 shares							(1,825)	(1,825)
Unearned compensation — restricted stock awards						295		295
Balance — February 2, 2002	833	194	86,948	204,961	(567)	(394)	(57,277)	234,698
*Comprehensive income:								
Net income				45,833				45,833
Unrealized gains on available-for-sale securities, net of deferred income taxes of \$448					820			820
Dividends paid (\$.585 per share)				(14,890)				(14,890)
Class A common stock sold through employee stock purchase plan — 32,487 shares	1		508					509
Class A common stock sold through stock option plans —	6		1,547					1,553

171,600 shares								
Class B common stock sold through stock option plans — 172,500 shares	6	1,310						1,316
Income tax benefit from stock options exercised		1,906						1,906
Purchase of treasury shares — 66,000 shares						(1,187)		(1,187)
Surrender of shares for stock options — 48,681 shares						(1,144)		(1,144)
Restricted stock awards — 100,000 shares	3	2,728			(2,731)			—
Unearned compensation — restricted stock awards						750		750
Balance — February 1, 2003	<u>\$840</u>	<u>\$203</u>	<u>\$94,947</u>	<u>\$235,904</u>	<u>\$ 253</u>	<u>\$(2,375)</u>	<u>\$(59,608)</u>	<u>\$270,164</u>

See notes to consolidated financial statements.

* Total comprehensive income for the years ended February 1, 2003, February 2, 2002 and February 3, 2001 was \$46,653, \$43,403 and \$39,944, respectively.

The Cato Corporation
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation: The consolidated financial statements include the accounts of The Cato Corporation and its wholly-owned subsidiaries ("the Company"). All significant intercompany accounts and transactions have been eliminated.

Description of Business and Fiscal Year: The Company has two business segments - - the operation of women's fashion specialty stores and a credit card division. The apparel specialty stores operate under the names "Cato", "Cato Fashions", "Cato Plus" and "It's Fashion!" and are located primarily in strip shopping centers in the Southeast.

The Company's fiscal year ends on the Saturday nearest January 31. Fiscal years 2002 and 2001 each included 52 weeks. Fiscal year 2000 included 53 weeks.

Use of Estimates: The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company's financial statements include the allowance for doubtful accounts receivable, reserves relating to workers' compensation, general and auto insurance liabilities and reserves for inventory markdowns.

Cash and Cash Equivalents and Short-Term Investments: Cash equivalents consist of highly liquid investments with original maturities of three months or less. Investments with original maturities beyond three months are classified as short-term investments. The fair values of short-term investments are based on quoted market prices.

The Company's short-term investments are classified as available-for-sale. As they are available for current operations, they are classified in consolidated balance sheets as current assets. Available-for-sale securities are carried at fair value, with unrealized gains and temporary losses, net of income taxes, reported as a component of accumulated other comprehensive income. Other than temporary declines in fair value of investments are recorded as a reduction in the cost of the investments in the accompanying Consolidated Balance Sheets and a reduction of interest and other income, net in the accompanying Statements of Consolidated Income. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization of premiums, accretion of discounts and realized gains and losses are included in other income.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash equivalents and accounts receivable. The Company places its cash equivalents with high credit qualified institutions and, by practice, limits the amount of credit exposure to any one institution. Concentrations of credit risks with respect to accounts receivable are limited due to the dispersion across different geographies of the Company's customer base.

Supplemental Cash Flow Information: Income tax payments, net of refunds received, for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001 were \$21,982,000, \$24,841,000 and \$17,435,000, respectively. Additionally, for the fiscal years ended February 1, 2003 and February 2, 2002, the Company accepted in an option transaction from an officer for payment of an option exercise, 48,681 mature shares of Class A Common Stock for \$1,144,500 or \$23.51 per share, the average fair market value on the date of exchange and 92,600 mature shares of Class A Common Stock for \$1,825,000 or \$19.71 per share, the average fair market value on the date of exchange, respectively.

Inventories: Merchandise inventories are stated at the lower of cost (first-in, first-out method) or market as determined by the retail method.

Property and Equipment: Property and equipment are recorded at cost. Maintenance and repairs are charged to operations as incurred; renewals and betterments are capitalized. The Company accounts for its software development costs in accordance with the American Institute of Certified Public Accountants Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Depreciation is provided on the straight-line method over the estimated useful lives of the related assets, as follows:

<u>Classification</u>	<u>Estimated Useful Lives</u>
Land improvements	10 years
Buildings	30-40 years
Leasehold improvements	5-10 years
Fixtures, equipment and software	3-10 years

Retail Sales: Revenues from retail sales, net of returns, are recognized upon delivery of the merchandise to the customer and exclude sales taxes.

Advertising: Advertising costs are expensed in the period in which they are incurred. Advertising expense was \$5,299,000, \$4,563,000 and \$5,812,000 for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001, respectively.

Earnings Per Share: Basic earnings per share excludes dilution of stock options and is computed by dividing net earnings by the weighted-average number of Class A and Class B common shares outstanding for the respective periods. The weighted-average number of shares used in the basic earnings per share computations was 25,465,543, 25,193,610 and 24,988,844 for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001, respectively. The weighted-average number of shares representing the dilutive effect of stock options was 481,914, 695,026 and 476,388 for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001, respectively. The weighted-average number of shares used in the diluted earnings per share computations was 25,947,457, 25,888,636 and 25,465,232 for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001, respectively.

Vendor Allowances: The Company receives certain allowances from vendors primarily related to purchase discounts and markdown allowances. These allowances are reflected in gross margin at the time they are earned.

Income Taxes: The Company files a consolidated federal income tax return. Income taxes are provided based on the asset and liability method of accounting, whereby deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities.

Store Opening and Closing Costs: Costs relating to the opening of new stores or the relocating or expanding of existing stores are expensed as incurred. The Company evaluates all long-lived assets for impairment. Impairment losses are recognized when expected future cash flows from the use of the asset groups are less than the asset groups' carrying values.

Closed Store Lease Obligations: At the time stores are closed, provisions are made for the rentals required to be paid over the remaining lease terms. Rentals due the Company under non-cancelable subleases are offset against the related obligations in the year the sublease is signed. There is no offset for assumed sublease revenues.

Insurance: The Company is self-insured with respect to employee health, workers compensation and general liability claims. Employee health claims are funded through a VEBA trust to which the Company makes periodic contributions. The Company has stop-loss insurance coverage for individual claims in excess of \$250,000.

Fair Value of Financial Instruments: The Company's carrying values of financial instruments, such as cash and cash equivalents, approximate their fair values due to their short terms to maturity and/or their variable interest rates.

Stock-based Compensation: The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for stock-based compensation where the option price of the stock approximated the fair market value of the stock on the date of grant. Had compensation expense for fiscal 2002, 2001 and 2000 stock options granted been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income and basic and diluted earnings per share amounts for fiscal 2002, 2001 and 2000 would approximate the following proforma amounts (dollars in thousands, except per share data):

	As Reported	Stock-Based Employee Compensation Cost*	Proforma
Net income — Fiscal 2002	\$45,833	\$ (740)	\$45,093
Basic earnings per share	\$ 1.80	\$ (0.03)	\$ 1.77
Diluted earnings per share	\$ 1.77	\$ (0.03)	\$ 1.74
Net income — Fiscal 2001	\$43,086	\$(1,593)	\$41,493
Basic earnings per share	\$ 1.71	\$ (0.06)	\$ 1.65
Diluted earnings per share	\$ 1.66	\$ (0.06)	\$ 1.60
Net income — Fiscal 2000	\$39,027	\$(1,596)	\$37,431
Basic earnings per share	\$ 1.56	\$ (0.06)	\$ 1.50
Diluted earnings per share	\$ 1.53	\$ (0.06)	\$ 1.47

* determined using fair value method

Recent Accounting Pronouncements: In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, “Accounting for Derivative Instruments and Hedging Activities”. In June 2000, the FASB issued SFAS No. 138, which amended certain provisions of SFAS 133. The Company adopted SFAS 133 and the corresponding amendments under SFAS 138 on February 4, 2001, and the adoption of this statement had no impact on the Company’s consolidated results of operations and financial position.

In July 2001, the FASB issued Statement of Financial Standards (SFAS) No. 142, “Goodwill and Other Intangible Assets”. SFAS 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them. The Company adopted SFAS No. 142 on February 3, 2002, and the adoption of this statement had no impact on the Company’s consolidated results of operations and financial position, as the Company had no goodwill or other indefinite lived intangible assets.

In August 2001, the FASB issued Statement of Financial Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. SFAS No. 144 supercedes SFAS No. 121, “Accounting for Impairment of Long-Lived Assets to be Disposed Of” and Accounting Principles Bulletin (APB) No. 30, “Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions”. Along with establishing a single accounting model, based on the framework established in SFAS No. 121 for impairment of long-lived assets, this standard retains the basic provisions of APB No. 30 for the presentation of discontinued operations in the income statement, but broadens that presentation to include a component of the entity. The Company adopted SFAS No. 144 on February 3, 2002, and the adoption of this statement had no impact on the Company’s consolidated results of operations and financial position.

In April 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Correction”. SFAS No. 145 rescinds SFAS No. 4, “Reporting Gains and Losses from Extinguishment of Debt”, and an amendment of that statement, SFAS No. 64, “Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements”. Because of the rescission of SFAS No. 4, the gains and losses from the extinguishments of debt are no longer required to be classified as extraordinary items. SFAS No. 145 amends SFAS No. 13, “Accounting for Leases”, to require sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The amendment of SFAS No. 13 is effective for transactions occurring after May 15, 2002. There has been no impact to the Company due to the Amendment of SFAS No. 13. Lastly, SFAS No. 145 makes various technical corrections to existing pronouncements that are not substantive in nature. The Company adopted SFAS No. 145 in fiscal 2002 and the impact on its financial position and results of operations of the adoption was not material.

In July 2002, the FASB issued SFAS no. 146, “Accounting for Costs Associated with Exit or Disposal Activities”. This statement is effective for exit or disposal activities initiated after December 31, 2002. Liabilities for costs associated with an exit activity should be initially measured at fair value, when incurred. This statement applies to costs associated with an exit activity that does not involve the entity newly acquired in a business combination or a disposal activity covered by SFAS No. 144. The Company adopted SFAS No. 146 on December 31, 2002, and the adoption of this statement had no impact on the Company’s consolidated results of operations and financial position.

On November 25, 2002 the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", which elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The interpretation expands on the accounting guidance of SFAS No. 5, "Accounting for Contingencies", SFAS No. 57, "Related Party Disclosures", and SFAS No. 107, "Disclosures about Fair Value of Financial Instruments". The interpretation also incorporates, without change, the provisions of FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others", which it supersedes. The initial recognition and measurement provisions of Interpretation No. 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosures are effective for financial statements of interim or annual periods ending after December 31, 2002. Although the Company has some guarantees with its subsidiaries, the Company does not believe the impact of this Interpretation on its financial position or result of operations will be material or that additional disclosure is required.

On December 31, 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide for alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and APB Opinion No. 28, "Interim Financial Reporting", to require disclosure in the summary of significant policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per-share in annual and interim financial statements. While SFAS No. 148 does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS No. 148's amendment of the transition and annual disclosure requirements of SFAS No. 123 are effective for fiscal years ending after December 15, 2002. The implementation of this Statement did not materially affect the Company's financial position or results of operations.

In 2002, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Cash Considerations Received from a Vendor". EITF Issue No. 02-16 provides guidance on how cash considerations received by a customer or reseller should be classified in the customer's statement of earnings. EITF Issue No. 02-16 is effective for all transactions with vendors after December 31, 2002. The adoption of EITF Issue No. 02-16 did not have a material impact on our consolidated financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements". This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest it acquired before February 1, 2003. This interpretation may be applied prospectively with a cumulative-effect adjustment as of the date on which it is first applied or by restating previously issued financial statements for one or more years with a cumulative-effect adjustment as of the beginning of the first year restated. The implementation of this interpretation will not materially affect the Company's financial position or results of operations.

Reclassifications: Certain reclassifications have been made to the consolidated financial statements for prior fiscal years to conform with presentation for fiscal 2002.

2. SHORT-TERM INVESTMENTS:

Short-term investments at February 1, 2003 include the following (in thousands):

Security Type	Cost	Unrealized Gains	Estimated Fair Value
Obligations of federal, state and political subdivisions	\$74,457	\$414	\$74,871

Short-term investments at February 2, 2002 include the following (in thousands):

Security Type	Cost	Unrealized (Losses)	Estimated Fair Value
Obligations of federal, state and political subdivisions	\$43,795	\$(872)	\$42,923

The accumulated unrealized gains in short-term investments at February 1, 2003 of \$265,000 net of a deferred income tax liability of \$149,000 offset by the accumulated unrealized losses in equity investments of \$12,000 net of a deferred income tax benefit of \$6,000 and the accumulated unrealized losses of February 2, 2002 of \$567,000, net of a deferred income tax benefit of \$305,000, are reflected in accumulated other comprehensive gains (losses) in the Consolidated Balance Sheets.

In fiscal 2002, the Company recorded a write-down of \$1.8 million in market value on investments with other than temporary declines in fair value.

The amortized cost and estimated fair value of debt securities at February 1, 2003, by contractual maturity, are shown below (in thousands):

Security Type	Cost	Estimated Fair Value
Due in one year or less	\$58,426	\$58,483
Due in one year through three years	16,031	16,388
Total	\$74,457	\$74,871

Additionally, the Company had \$1.7 million invested in privately managed investment funds at February 1, 2003, which are reported under other assets in the Consolidated Balance Sheets.

3. ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following (in thousands):

	February 1, 2003	February 2, 2002
Customer accounts — principally deferred payment accounts	\$56,853	\$53,012
Miscellaneous trade receivables	3,362	5,249
Total	60,215	58,261
Less allowance for doubtful accounts	6,099	5,968
Accounts receivable — net	\$54,116	\$52,293

Finance charge and late charge revenue on customer deferred payment accounts totaled \$13,672,000, \$12,951,000 and \$13,689,000 for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001, respectively, and the provision for doubtful accounts was \$4,764,000, \$5,913,000 and \$5,292,000, for the fiscal years ended February 1, 2003, February 2, 2002 and February 3, 2001, respectively. The provision for doubtful accounts is classified as a component of selling, general and administrative expenses in the accompanying Consolidated Statements of Income.

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (in thousands):

	February 1, 2003	February 2, 2002
Land and improvements	\$ 2,019	\$ 2,019
Buildings	17,751	17,751
Leasehold improvements	34,697	30,546
Fixtures, equipment and software	143,080	100,138
Construction in progress	2,246	23,333
Total	199,793	173,787
Less accumulated depreciation	86,486	73,650
Property and equipment — net	<u>\$113,307</u>	<u>\$100,137</u>

As of February 1, 2003, the Company has capitalized \$25.7 million for an enterprise-wide merchandise and finance system in accordance with SOP 98-1.

Construction in progress primarily represents investments in technology and ongoing store development activities scheduled to be implemented over the next 12 months.

5. ACCRUED EXPENSES:

Accrued expenses consist of the following (in thousands):

	February 1, 2003	February 2, 2002
Accrued bonus and retirement savings plan contributions	\$ 6,233	\$ 7,605
Accrued payroll and related items	4,265	4,216
Closed store lease obligations	1,004	1,077
Property and other taxes	7,593	4,211
Accrued health care plan	4,347	3,558
Other	5,334	4,593
Total	<u>\$28,776</u>	<u>\$25,260</u>

6. FINANCING ARRANGEMENTS:

At February 1, 2003, the Company had an unsecured revolving credit agreement which provided for borrowings of up to \$35 million. The revolving credit agreement is committed until October 2004. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios with which the Company was in compliance. There were no borrowings outstanding during the fiscal year ended February 1, 2003 or February 2, 2002.

The Company had approximately \$6,496,000 and \$4,314,000 at February 1, 2003 and February 2, 2002, respectively, of outstanding irrevocable letters of credit relating to purchase commitments.

7. STOCKHOLDERS' EQUITY:

The holders of Class A Common Stock are entitled to one vote per share, whereas the holders of Class B Common Stock are entitled to ten votes per share. Each share of Class B Common Stock may be converted at any time into one share of Class A Common Stock. Subject to the rights of the holders of any shares of Preferred Stock that may be outstanding at the time, in the event of liquidation, dissolution or winding up of the Company, holders of Class A Common Stock are entitled to receive a preferential distribution of \$1.00 per share of the net assets of the Company. Cash dividends on the Class B Common Stock cannot be paid unless cash dividends of at least an equal amount are paid on the Class A Common Stock.

The Company's charter provides that shares of Class B Common Stock may be transferred only to certain "Permitted Transferees" consisting generally of the lineal descendants of holders of Class B Stock, trusts for their benefit, corporations and partnerships

controlled by them and the Company's employee benefit plans. Any transfer of Class B Common Stock in violation of these restrictions, including a transfer to the Company, results in the automatic conversion of the transferred shares of Class B Common Stock held by the transferee into an equal number of shares of Class A Common Stock.

In October 1993, the Company registered 250,000 shares of Class A Common Stock available for issuance under an Employee Stock Purchase Plan (the "Plan"). In May 1998, the shareholders approved an amendment to the Plan to increase the maximum number of Class A shares of Common Stock authorized to be issued from 250,000 to 500,000 shares. In February 2003, the Board of Directors recommended a new plan be adopted effective October 2003 and that an additional 250,000 shares be registered, subject to shareholder approval. Under the terms of the Plan, substantially all employees may purchase Class A Common Stock through payroll deductions of up to 10% of their salary. The Class A Common Stock is purchased at the lower of 85% of market value on the first or last business day of a six-month payment period. Additionally, each April 15, employees are given the opportunity to make a lump sum purchase of up to \$10,000 of Class A Common Stock at 85% of market value. The number of shares purchased by participants through the plan were 32,487 shares, 38,463 shares and 44,500 shares for the years ended February 1, 2003, February 2, 2002 and February 3, 2001, respectively.

The Company has an Incentive Stock Option Plan and a Non-Qualified Stock Option Plan for key employees of the Company. Total shares issuable under the plans are 3,900,000, of which 825,000 shares are issuable under the Incentive Stock Option Plan and 3,075,000 shares are issuable under the Non-Qualified Stock Option Plan. The purchase price of the shares under the option must be at least 100 percent of the fair market value of Class A Common Stock at the date of the grant. Options granted under these plans vest over a 5-year period and expire 10 years after the date of the grant unless otherwise expressly authorized by the Board of Directors.

In August 1999, the Board of Directors adopted the 1999 Incentive Compensation Plan, of which 1,000,000 shares are issuable. No awards may be granted after July 31, 2004 and shares must be exercised within 10 years of the grant date unless otherwise authorized by the Board of Directors.

In August 1999, the Board of Directors granted under the 1999 Incentive Compensation Plan, restricted stock awards of 100,000 shares of Class B Common Stock, with a per share fair value of \$11.81 to a key executive. In May 2002, the Board of Directors approved and granted under the 1999 Incentive Compensation Plan restricted stock awards of 100,000 shares of Class B Common Stock, with a per share fair value of \$27.31 to a key executive. These stock awards cliff vest after four years and the unvested portion is included in stockholders' equity as unearned compensation in the accompanying financial statements. The charge to compensation expense for these stock awards was \$750,000, \$295,000 and \$295,000 in fiscal 2002, 2001 and 2000, respectively.

Option plan activity for the three fiscal years ended February 1, 2003 is set forth below:

	Options	Range of Option Prices			Weighted Average Price
Outstanding options, January 29, 2000	2,972,782	\$ 1.50	–	\$14.59	\$ 9.39
Granted	46,250	9.59	–	14.38	11.66
Exercised	(425,350)	4.94	–	13.44	7.82
Cancelled	(56,300)	6.94	–	13.44	10.23
Outstanding options, February 3, 2001	2,537,382	4.94	–	14.59	9.68
Granted	21,750	12.66	–	18.91	16.17
Exercised	(778,182)	4.94	–	14.59	8.20
Cancelled	(25,700)	7.69	–	14.59	11.61
Outstanding options, February 2, 2002	1,755,250	4.94	–	18.91	10.39
Granted	45,500	18.05	–	26.76	20.89
Exercised	(344,100)	4.94	–	17.63	8.11
Cancelled	(14,700)	8.25	–	12.28	11.27
Outstanding options, February 1, 2003	<u>1,441,950</u>	<u>\$ 4.94</u>	–	<u>\$26.76</u>	<u>\$11.20</u>

The following tables summarize stock option information at February 1, 2003:

Options Outstanding			
Range of Exercise Prices	Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 4.94 – \$ 7.69	93,600	2.37 years	\$ 7.52
\$ 8.00 – \$ 9.59	493,400	4.72 years	\$ 8.28
\$10.66 – \$12.72	418,150	6.73 years	\$12.40
\$13.06 – \$26.76	436,800	6.22 years	\$14.14
<u>\$ 4.94 – \$26.76</u>	<u>1,441,950</u>	<u>5.60 years</u>	<u>\$11.20</u>

Options Exercisable		
Range of Exercise Prices	Options	Weighted Average Exercise Price
\$ 4.94 – \$ 7.69	93,600	\$ 7.52
\$ 8.00 – \$ 9.59	483,600	\$ 8.26
\$10.66 – \$12.72	211,750	\$12.42
\$13.06 – \$26.76	275,450	\$13.35
<u>\$ 4.94 – \$26.76</u>	<u>1,064,400</u>	<u>\$10.34</u>

Outstanding options at February 1, 2003 covered 717,000 shares of Class B Common Stock and 724,950 shares of Class A Common Stock. Outstanding options at February 2, 2002 covered 889,500 shares of Class B Common Stock and 865,750 shares of Class A Common Stock. Options available to be granted under the option plans were 421,618 at February 1, 2003 and 452,418 at February 2, 2002.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for stock-based compensation where the option price of the stock approximated the fair market value of the stock on the date of grant. Had compensation expense for fiscal 2002, 2001 and 2000 stock options granted been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income and basic and diluted earnings per share amounts for fiscal 2002, 2001 and 2000 would approximate the following proforma amounts (dollars in thousands, except per share data):

	As Reported	Stock-Based Employee Compensation Cost*	Proforma
Net income — Fiscal 2002	\$45,833	\$ (740)	\$45,093
Basic earnings per share	\$ 1.80	\$ (0.03)	\$ 1.77
Diluted earnings per share	\$ 1.77	\$ (0.03)	\$ 1.74
Net income — Fiscal 2001	\$43,086	\$(1,593)	\$41,493
Basic earnings per share	\$ 1.71	\$ (0.06)	\$ 1.65
Diluted earnings per share	\$ 1.66	\$ (0.06)	\$ 1.60
Net income — Fiscal 2000	\$39,027	\$(1,596)	\$37,431
Basic earnings per share	\$ 1.56	\$ (0.06)	\$ 1.50
Diluted earnings per share	\$ 1.53	\$ (0.06)	\$ 1.47

* determined using fair value method

The weighted-average fair value of each option granted during fiscal 2002, 2001 and 2000 is estimated at \$8.29, \$8.19 and \$5.45 per share, respectively. The fair value of each option grant is estimated using the Black-Scholes option-pricing model with the following assumptions for grants issued in 2002, 2001 and 2000, respectively: expected dividend yield of 3.29%, 2.62% and 2.42%; expected volatility of 57.06%, 59.84% and 60.34%, adjusted for expected dividends; risk-free interest rate of 2.60%, 4.36% and 4.71%; and an expected life of 5 years for 2002, 2001 and 2000. The effects of applying SFAS 123 in this proforma disclosure are not indicative of

future amounts.

In May 2002, the Board of Directors increased the quarterly dividend by 11% from \$.135 per share to \$.15 per share.

Total comprehensive income for the years ended February 1, 2003, February 2, 2002 and February 3, 2001 is as follows (in thousands):

Fiscal Year Ended	February 1, 2003	February 2, 2002	February 3, 2001
Net income	\$45,833	\$43,086	\$39,027
Unrealized gains on available-for-sale securities	1,268	488	1,411
Income tax effect	(448)	(171)	(494)
Unrealized gains net of taxes	820	317	917
Total comprehensive income	<u>\$46,653</u>	<u>\$43,403</u>	<u>\$39,944</u>

8. EMPLOYEE BENEFIT PLANS:

The Company has a defined contribution retirement savings plan (401(k)) which covers all employees who meet minimum age and service requirements. The 401(k) plan allows participants to contribute up to 60% of their annual compensation up to the maximum elective deferral, designated by the IRS. The Company is obligated to make a minimum contribution to cover plan administrative expenses. Further Company contributions are at the discretion of the Board of Directors. The Company's contributions for the years ended February 1, 2003, February 2, 2002 and February 3, 2001 were approximately \$1,906,000, \$2,596,000 and \$2,348,000, respectively.

The Company has an Employee Stock Ownership Plan (ESOP), which covers substantially all employees who meet minimum age and service requirements. The Board of Directors determines contributions to the ESOP. No contributions were made to the ESOP for the years ended February 1, 2003, February 2, 2002 or February 3, 2001.

The Company is self-insured with respect to employee health, workers compensation and general liability claims. The Company has stop-loss insurance coverage for individual claims in excess of \$250,000 for workers compensation and employee health and \$100,000 for general liability. Employee health claims are funded through a VEBA trust to which the Company makes periodic contributions. Contributions to the VEBA trust were \$8,970,000, \$9,090,000 and \$6,964,000 in fiscal 2002, 2001 and 2000, respectively.

9. LEASES:

The Company has operating lease arrangements for store facilities and equipment. Facility leases generally are for periods of five years with renewal options and most provide for additional contingent rentals based on a percentage of store sales in excess of stipulated amounts. Equipment leases are generally for three to seven year periods.

The minimum rental commitments under non-cancelable operating leases are (in thousands):

Fiscal Year	
2003	\$ 37,308
2004	28,581
2005	21,711
2006	15,406
2007	8,177
Total minimum lease payments	<u>\$111,183</u>

The following schedule shows the composition of total rental expense for all leases (in thousands):

Fiscal Year Ended	February 1, 2003	February 2, 2002	February 3, 2001
Minimum rentals	\$37,848	\$37,117	\$34,449
Contingent rent	389	471	479
Total rental expense	<u>\$38,237</u>	<u>\$37,588</u>	<u>\$34,928</u>

10. RELATED PARTY TRANSACTIONS:

The Company leases certain of its stores from entities in which Mr. George S. Currin, a director of the Company, has an ownership interest. Rent expense and related charges totaling \$883,367, \$785,936 and \$523,853 were paid in fiscal 2002, 2001 and 2000, respectively, under these leases.

During 2000, 2001, 2002 and the first quarter of 2003, the Company made payments totaling \$59,017, \$70,651, \$115,069 and \$92,122 for the benefit of entities in which Mr. Wayland H. Cato, Jr., Chairman of the Board, and Mr. Edgar T. Cato, Former Vice Chairman of the Board and Co-Founder and Director, have a material interest. These payments were charged to expense in the periods indicated. The Company subsequently determined these payments were unrelated to the business of the Company. In April 2003, \$362,557, including interest of \$25,698, was reimbursed to the Company.

11. INCOME TAXES:

The provision for income taxes consists of the following (in thousands):

Fiscal Year Ended	February 1, 2003	February 2, 2002	February 3, 2001
Current income taxes:			
Federal	\$24,572	\$22,309	\$18,461
State	1,364	469	954
Total	<u>25,936</u>	<u>22,778</u>	<u>19,415</u>
Deferred income taxes:			
Federal	63	376	1,319
State	7	46	281
Total	<u>70</u>	<u>422</u>	<u>1,600</u>
Total income tax expense	<u>\$26,006</u>	<u>\$23,200</u>	<u>\$21,015</u>

Significant components of the Company's deferred tax assets and liabilities as of February 1, 2003 and February 2, 2002 are as follows (in thousands):

	February 1, 2003	February 2, 2002
Deferred tax assets:		
Bad debt reserve	\$ 2,338	\$2,288
Inventory valuation	1,739	1,282
Write-down of short-term investments	669	—
Restricted stock options	407	296
Unrealized losses on short-term investments	—	305
Other, net	2,972	936
Total deferred tax assets	<u>8,125</u>	<u>5,107</u>
Deferred tax liabilities:		
Tax over book depreciation	11,682	5,898
Unrealized gains on short-term investments	143	—
Other, net	1,218	3,609
Total deferred tax liabilities	<u>13,043</u>	<u>9,507</u>
Net deferred tax liabilities	<u>\$ 4,918</u>	<u>\$4,400</u>

The reconciliation of the Company's effective income tax rate with the statutory rate is as follows:

Fiscal Year Ended	February 1, 2003	February 2, 2002	February 3, 2001
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes	1.2	0.9	1.6
Other	0.0	(0.9)	(1.6)
Effective income tax rate	36.2%	35.0%	35.0%

12. QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized quarterly financial results are as follows (in thousands, except per share data):

Fiscal 2002	First	Second	Third	Fourth
Retail sales	\$196,617	\$186,900	\$158,217	\$191,008
Total revenues(1)	200,491	190,715	162,228	194,897
Cost of goods sold	124,460	125,854	110,188	135,843
Gross margin	72,157	61,046	48,029	55,165
Income before income taxes	28,683	19,213	8,507	15,436
Net income	18,300	12,258	5,427	9,848
Basic earnings per share	\$.72	\$.48	\$.21	\$.39
Diluted earnings per share	\$.71	\$.47	\$.21	\$.38
Fiscal 2001	First	Second	Third	Fourth
Retail sales	\$180,347	\$172,444	\$147,619	\$185,243
Total revenues(2)	183,946	175,790	151,043	188,542
Cost of goods sold	116,391	118,093	101,743	130,139
Gross margin	63,956	54,351	45,876	55,104
Income before income taxes	24,485	16,867	7,746	17,188
Net income	15,916	10,963	5,035	11,172
Basic earnings per share	\$.63	\$.43	\$.20	\$.45
Diluted earnings per share	\$.61	\$.42	\$.20	\$.43

(1) For the first three quarters of 2002, the Company reported interest and dividend income of \$1,150, \$1,673 and \$1,147, respectively, as part of total revenues. Such amounts have been reclassified outside of total revenues. This reclassification had no impact on Income before income taxes or Net Income.

(2) For the four quarters of 2001, the Company reported interest and dividend income of \$1,784, \$1,611, \$1,827 and \$1,115, respectively, as part of total revenues. Such amounts have been reclassified outside of total revenues. This reclassification had no impact on Income before income taxes or Net Income.

13. REPORTABLE SEGMENT INFORMATION:

The Company has two reportable segments: retail and credit. The Company operates its women's fashion specialty retail stores in 26 states, principally in the Southeast. The Company offers its own credit card to its customers and all credit authorizations, payment processing, and collection efforts are performed by a separate subsidiary of the Company.

The following schedule summarizes certain segment information (in thousands):

Fiscal 2002	Retail	Credit	Total
Revenues	\$734,352	\$13,979	\$748,331
Depreciation	14,851	62	14,913
Interest and other income, net	(3,680)	—	(3,680)
Income before taxes	66,375	5,464	71,839
Total assets	310,173	73,237	383,410
Capital expenditures	28,953	—	28,953
Fiscal 2001	Retail	Credit	Total
Revenues	\$686,092	\$13,229	\$699,321
Depreciation	10,821	65	10,886
Interest and other income, net	(6,299)	—	(6,299)
Income before taxes	62,786	3,500	66,286
Total assets	263,909	68,132	332,041
Capital expenditures	25,684	—	25,684
Fiscal 2000	Retail	Credit	Total
Revenues	\$648,552	\$13,985	\$662,537
Depreciation	9,426	66	9,492
Interest and other income, net	(6,554)	—	(6,554)
Income before taxes	55,278	4,764	60,042
Total assets	244,199	66,543	310,742
Capital expenditures	27,195	35	27,230

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes. The Company does not allocate certain corporate expenses or income taxes to the segments.

14. COMMITMENTS AND CONTINGENCIES:

Workers compensation and general liability claims are settled through a claims administrator and are limited by stop-loss insurance coverage for individual claims in excess of \$250,000 and \$100,000, respectively. The Company paid claims of \$1,652,000, \$1,379,000 and \$1,486,000 in fiscal 2002, 2001 and 2000, respectively. The Company had no outstanding letters of credit relating to such claims at February 1, 2003 or at February 2, 2002. See Note 6 for letters of credit related to purchase commitments, Note 8 for 401(k) plan contribution obligations and Note 9 for lease commitments.

The Company is a defendant in legal proceedings considered to be in the normal course of business and none of which, singularly or collectively, are considered to be material to the Company as a whole.

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

	Allowance for Doubtful Accounts (a)	Reserve for Rental Commitments (b)
(In thousands)		
Balance at January 29, 2000	\$ 5,101	\$ 1,771
Additions charged to costs and expenses	5,292	1,710
Additions charged to other accounts	878(d)	—
Deductions	(5,849)(c)	(1,832)
Balance at February 3, 2001	5,422	1,649
Additions charged to costs and expenses	5,913	691
Additions charged to other accounts	1,052(d)	—
Deductions	(6,419)(c)	(1,263)
Balance at February 2, 2002	5,968	1,077
Additions charged to costs and expenses	4,763	1,000
Additions charged to other accounts	887(d)	—
Deductions	(5,519)(c)	(1,121)
Balance at February 1, 2003	<u>\$ 6,099</u>	<u>\$ 956</u>

(a) Deducted from trade accounts receivable.

(b) Provision for the difference between costs and revenues from non-cancelable subleases over the lease terms of closed stores.

(c) Uncollectible accounts written off.

(d) Recoveries of amounts previously written off.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, The Cato Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Cato Corporation

By /s/ John P. Derham Cato
 John P. Derham Cato
 Chairman, President and
 Chief Executive Officer

By /s/ Michael O. Moore
 Michael O. Moore
 Executive Vice President
 Chief Financial Officer and Secretary

By: /s/ Robert M. Sandler
 Robert M. Sandler
 Senior Vice President
 Controller

Date: April 19, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ Robert W. Bradshaw, Jr. April 19, 2004

Robert W. Bradshaw, Jr.
 (Director)

/s/ John P. Derham Cato April 19, 2004

John P. Derham Cato
 (Director)

/s/ Thomas E. Cato April 19, 2004

Thomas E. Cato
 (Director)

/s/ George S. Currin April 19, 2004

George S. Currin
 (Director)

/s/ Grant L. Hamrick April 19, 2004

Grant L. Hamrick
 (Director)

/s/ Michael O. Moore April 19, 2004

Michael O. Moore
 (Director)

/s/ James H. Shaw April 19, 2004

James H. Shaw
 (Director)

/s/ A.F. (Pete) Sloan April 19, 2004

A.F. (Pete) Sloan
 (Director)

EXHIBIT INDEX

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*Previously Filed

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-96283 on Form S-8 pertaining to The Cato Corporation 1999 Incentive Compensation Plan, in Registration Statement No. 33-41314 on Form S-8 pertaining to The Cato Corporation 1987 Incentive Stock Option Plan, in Registration Statement No. 33-41315 on Form S-8 pertaining to The Cato Corporation 1987 Nonqualified Stock Option Plan, and in Registration Statement Nos. 33-69844 and 333-96285 on Forms S-8 pertaining to The Cato Corporation 1993 Employee Stock Purchase Plan, of our report dated April 21, 2003, with respect to the consolidated financial statements and financial statement schedule of The Cato Corporation included in and incorporated by reference in the Annual Report on Form 10-K for the year ended February 1, 2003.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina

April 19, 2004

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John P. Derham Cato, Chairman, President and Chief Executive Officer of The Cato Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Cato Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 19, 2004

/s/ John P. Derham Cato

John P. Derham Cato
Chairman, President and
Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael O. Moore, Executive Vice President, Chief Financial Officer and Secretary of The Cato Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Cato Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 19, 2004

/s/ Michael O. Moore

Michael O. Moore
Executive Vice President
Chief Financial Officer and Secretary

CERTIFICATION OF PERIODIC REPORT

I, John P. Derham Cato,, Chairman, President and Chief Executive Officer of The Cato Corporation, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1. the Annual Report on Form 10-K of the Company for the annual period ended February 1, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 19, 2004

/s/ John P. Derham Cato

John P. Derham Cato
Chairman, President and
Chief Executive Officer

CERTIFICATION OF PERIODIC REPORT

I, Michael O. Moore, Executive Vice President, Chief Financial Officer and Secretary of The Cato Corporation, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that on the date of this Certification:

1. the Annual Report on Form 10-K of the Company for the annual period ended February 1, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 19, 1004

/s/ Michael O. Moore

Michael O. Moore
Executive Vice President
Chief Financial Officer and Secretary